

Minutes of the Special Agenda Meeting of the Mayor and Council of the City of South Tucson, Arizona, held Monday, April 15, 2024, at 6:00 p.m., at the City of South Tucson Council Chambers, 1601 S. 6<sup>th</sup> Avenue, South Tucson, Arizona.

Staff Present: Veronica Moreno, Interim City Manager  
Lourdes Aguirre, Finance Director  
Danny Denogean, Public Safety Director and Chief of Police  
Jon Paladini, City Attorney

Councilors Present: Mayor Paul Diaz  
Vice Mayor Herman Lopez  
Acting Mayor Rita Rogers  
Councilor Anita Romero  
Councilor Cesar Aguirre  
Councilor Brian Flagg  
Councilor Roxanna Valenzuela

Others Present: Diana Sears, Resident  
Andy Luna, Non-Resident - Fire Department

Mayor Diaz called the Special Agenda Meeting of April 15, 2024, to order at 6:01 p.m. Please stand for the Pledge of Allegiance, and Land Acknowledgment and Mission Statements.

ITEM #03 – LAND ACKNOWLEDGMENT AND MISSION STATEMENT

Vice Mayor Lopez: On behalf of South Tucson residents, we honor the Tribal Nations who have served as caretakers of this land from time immemorial and respectfully acknowledge the ancestral homelands of the Tohono O’odham Nation and the multi-millennial presence of the Pascua Yaqui Tribe within South Tucson. Consistent with the City of South Tucson’s commitment to diversity and inclusion, we strive toward building equal-partner relationships with Arizona’s Tribal Nations.

Acting Mayor Rogers: The Mission of the City of South Tucson is to build up this community through mutual cooperation between we, your public servants, and you our citizens so that jointly we can build a safer and stronger City. Amen.

Vice Mayor Lopez: Amen.

Mayor Diaz: Thank you.

ITEM #04 – ROLL CALL (By City Manager Moreno):

Vice Mayor Lopez. Here.

Acting Mayor Rogers. Here.

Councilor Romero. Here.

Mayor Diaz. Here.

Councilor Flagg. Here.

Councilor Aguirre. Here.

Councilor Valenzuela. Here.

Ms. Moreno: Mayor, if I may before we start, I would just like to point out that it was brought to my attention that the posting of the agenda for tonight's meeting on the website was in error. It was posted from last week, so once we discovered that, we posted the agenda for this evening. You will notice that the agenda you have in front of you does have bold red writing of the correction. We did have it posted on the bulletin board as we always do, and I did follow up with the attorney on this to make sure we were able to have tonight's meeting.

Mayor Diaz: Thank you.

City Attorney Paladini: Mayor and Council, the State law on meetings says that the City must post the agenda on the website but that if there is a technical problem or failure to do so, so long as the agendas were published elsewhere properly, then it does not prevent us from having the meeting, so my opinion is this meeting has been properly noticed.

Mayor Diaz: Ok, thank you.

ITEM #05 - APPROVAL OF MINUTES

Mayor Diaz: Approval of the Minutes for the Regular Meeting of April 2<sup>nd</sup>, 2024. Are there any corrections, deletions, additions?

Vice Mayor Lopez: Mr. Mayor, I would like to make a motion that we approve the minutes for April 2<sup>nd</sup>, 2024.

Mayor Diaz: We have a motion.

Councilor Flagg: I'll second it.

Mayor Diaz: We have a second. I'd like to have a discussion in regard to the minutes. It's on page 4 with the minutes presented in verbatim format from recording audio, and down there at the middle after the first roll call, there was a bit of discussion and there was also I believe to be a legal opinion regarding how to go about requests for reconsideration. So I think that is important in there and it should be added. Thank you.

Ms. Moreno: You're welcome.

Mayor Diaz: And that's it. Roll Call.

Vice Mayor Lopez. Yes.

Acting Mayor Rogers. Aye, with the addition.

Councilor Romero. Aye.

Mayor Diaz. Aye.

Councilor Flagg. Aye.

Councilor Aguirre. Aye.

Councilor Valenzuela. Aye.

*Call to the Public*

Mayor Diaz: If there is anybody in the public that would like to address the Council, please do so at this time.

Ms. Aguirre: Mr. Mayor, we do not have any speaker cards.

Councilor Aguirre: There's two of them right here.

Ms. Aguirre: Ok, so the first speaker is Diana Sears, address is 2301 S. 6<sup>th</sup> Avenue, topic is Fire Department. Resident is not marked off, yes or no.

Ms. Sears: Yes. Good evening.

Acting Mayor Rogers: Good evening.

Ms. Sears: Council and Mayor. I just want to make it very brief because I'm not a professional speaker but the last meeting that I attended, I think it was on the 2<sup>nd</sup>, what I heard from almost every one of you was really disheartening. I witnessed and I heard a lot of disparity in relation to the Fire Department, and I am totally against each and every one of you that is against getting rid of our Fire Department. That includes the Fire Chief and Fire, Chief of Police, and any one of you, Mayor, because I have been in the City of South Tucson for over 30 years. I'm a second-generation business owner, second-generation resident, and to me, what I see and what I hear, that if we get rid of the Fire Department, I lose everything. If my business goes up in flames, if my house goes up in flames, I've lost my livelihood. I don't think that getting rid of the Fire Department should be so easily voted on, especially to some of those - there are some business people that thought the meeting was tomorrow, that I asked to come in, because that is our business. If the Fire Department goes up in flames, you might as well get rid of the Fire Station, and if that is the case, you might as well just get rid of the City of South Tucson. I've been through thick and thin, up and down, and I am not giving up on my City, and from what I was hearing at the last meeting, we were talking about a lot of unknowns. Let's get rid of the Fire Department because we don't know this, and we don't know that, and the budget for this, and the budget for that, so for those of you who are so easy to give up on the City of South Tucson Fire Department, I would suggest you do your homework and let's find out a budget. What is the problem and how can we fix it. If it's a lack of funds, then let's create funds. Let's raise funds, you know. I don't know what else to say as far as how I see you speak to each other. There's a lot of disrespect. I see a lot of division, and to each and every one of you, I'm just a person that lives here, I would say if you don't respect each other, you should respect your positions. To each and every one of you, against each one of you. Again, I'm not sure which and how many of you are against the Fire Department but to those that are, I would ask you personally what do you have to lose, because I have a lot to lose, and I've been in this City for a long time, second-generation. My mom still lives here as well, so we are not just talking about me, we're talking about my family members as well. So please, I would ask for all of you that are so easy to give up on our City by getting rid of our Fire Department, I would urge each one of you, what do you all have to lose, because I have a lot to lose. Thank you.

Mayor Diaz: Thank you.

Ms. Aguirre: Mr. Mayor, we have another speaker card. This one is from employee Andy Luna, not a resident, he lists the address as 1601 S. 6<sup>th</sup> Avenue which is City Hall, and the topic is Fire Department.

Mr. Luna: Good evening, Mr. Mayor, members of the Council. I want to first and foremost thank you, thank you all for allowing the fourth person to be added to the truck. That's huge, that's big, so I really applaud you folks for allowing that to happen because that's a great thing. A lot of things are going to be improved upon that and one of them would be obviously, the care of the citizens and safety for us and it would cut down on, I think Councilmember Aguirre mentioned, people calling off because they have full time jobs so they get held up over there, so this will decrease the amount of time the truck actually gets shut down. So that is going to help with that as well. And I just want to real quickly point out to you, if I may, I wrote this. This is next

month's calendar. Now, this next month's calendar has the fourth person on there, and also in the past there's a question on medics being in the City. So basically, the circles on there, what they represent, is for the month of May, how many medics are on the truck on those particular days. So, there's 23. We just added two more, so 23 out of 31 days we have a medic on the truck, not to mention that when the calls come in, AMR, Rural Metro, they send out medics all the time, 99% of the time they are sending medics. So, there's going to be that higher level of care, well, most of the time. It's not a perfect system, but we have that, but the biggest thing is the circles represent how many times we have a medic on the truck. Sometimes there's two medics on the same day. So, the other thing is 22 or 24 of the 31 days, we have four people, so that's going to increase the safety aspect of what we do already. I just wanted to give you that for that. The other thing that Councilmember Aguirre mentioned at the last meeting was, he mentioned high quality life safety equipment. Now, we are talking about a fire truck and life safety equipment, two separate things, and we do have high quality life safety equipment. I invite anybody to please come to the back of the station and I will show you everything that we have. And a lot of what we got has been through grant money. So, we do have high quality, good stuff back there, so we do have that. I encourage anybody that has questions, come back and please visit us. The attorney at the last meeting had mentioned gear. He didn't know if the guys brought their own gear with them or if we provided gear, so with that, we do provide the gear. And the last ten brand new sets of gear, brand new, came from grant money. So again, we are utilizing grant money, and we are utilizing these things to save a little bit of money for the City, so that's that portion. So, the fire trucks, right, we were talking about that \$1.2 million truck. We don't necessarily have to have that brand-new truck. I researched trucks in the past a few years ago.

Ms. Aguirre: Time is up.

Mr. Luna: Ok, see you next meeting. I'll finish with that.

Acting Mayor Rogers: Thank you.

Ms. Aguirre: Mr. Mayor, those were the only two speakers for today.

Mayor Diaz: Ok, thank you.

ITEM #06 - MAYOR AND COUNCIL MEMBERS: REPORTS OF CURRENT EVENTS; FUTURE AGENDA ITEMS

Mayor Diaz: Does anybody -

Vice Mayor Lopez: Mr. Mayor, I would like to let the Council know that last Friday I attended the community leaders meeting up at Davis Monthan Air Force Base which was postponed for 90 days due to construction of the front gate that they are closed. It's still closed, so that's that. And then, my wife and I attended the 5<sup>th</sup> Annual Maiz which was up at Kennedy Park on Saturday. That turned out to be a real nice event for the City of Tucson, which we were kind of proud to just be there and hang out with the people. And that's all I have, Mr. Mayor.

Mayor Diaz: Thank you. Anybody else?

Councilor Flagg: I have two things. One thing is the Parish Fiesta for Santa Cruz Catholic Church is this weekend, Saturday from 12-9, and Sunday from 1-9. So, come out and support the Church. There's going to be a whole bunch of bands who will play and there will be a bunch of food and Casa Maria is going to do the

hamburger booth like we always do. It's a lot of fun and it supports the Church. It's one of two Catholic churches in South Tucson. The other one is Saint Kateri.

Acting Mayor Rogers: That's something I want to talk about.

Councilor Flagg: Yeah. So that's one thing. The other thing is, I feel as the City, we are actually doing stuff about the worst slumlord there is in our town, and so that's great, you know, working with our City Attorney to do that, but that's sitting here with my hat as a Councilman. Like, I am going to take my hat off and be just like a regular citizen, and tell you I live and work at Casa Maria, and the problems that stem from the worst slumlord's properties like, really have an effect all over South Tucson, so we want to do more than like, you know, going to court on the guy. So, we're going to try to get the community to come out a week from Thursday. It's the 25<sup>th</sup> of April, 6 p.m., down at the South 6<sup>th</sup> Avenue Suites, and we're gonna have some people that are going to speak, and we're going to invite the community and we want people to come and ask Brian Bowers to leave South Tucson. And so, we're going to do that, and we're going to say, leave within a month of today and if you don't, we're going to organize a picket in front of his mansion. I heard he has a really nice house in a gated community in the foothills. So, we are going to get the community to speak in addition to our legal strategies to deal with this awful issue. And we are hoping we can post it so all of our Council persons could come if they so choose. We will introduce dignitaries such as past Council people, current Council people, and candidates in the election. We will introduce people who are dignitaries. So, Thursday, the 25<sup>th</sup>, 6 p.m. in front of South 6<sup>th</sup> Avenue Suites, and we are going to invite Brian Bowers to come and respond to us. So, please come, please be part of it.

Acting Mayor Rogers: Ok, Mr. Mayor, I just have one thing since he had to mention Santa Cruz. We have on Sunday at Saint Kateri, from 2-4, the Bishop will be there from 2-4 this Sunday. And we will have a big, big opening for the Native Americans dancing corps. So, it's outdoors, and it's 2-4, Saint Kateri, South Tucson.

Mayor Diaz: Thank you. I would like to ask a question in regard to some of the Council being present. Is there an notice that requires that the majority of the Council may be present, and that business will not be discussed?

City Attorney Paladini: First of all, Mayor, just for clarity on the record, the event that Councilmember Flagg was referencing is not a City-sponsored event.

Councilor Flagg: Yeah.

City Attorney Paladini: The City has no participation or part in this purely private event. If Councilmembers choose to go, then you should let the City Manager/Clerk know so that she can post a notice of possible quorum for that particular event at that particular location, so even if, I would just let Veronica know to make sure there is a notice of quorum. You are not going to discuss any business, obviously, but always do a courtesy notice, just in case.

Mayor Diaz: Ok, thank you. Do we have any more reports?

Vice Mayor Lopez: Mr. Mayor, I just want to make sure to let the people know that the Chief brought us some flyers on this Opioid Misuse Prevention Symposium that's being put on -

Chief Denogean: April 25<sup>th</sup>.

Vice Mayor Lopez: Yeah, at the Desert Diamond Casino.

Mayor Diaz: Ok, thank you. Any more reports? Ok, the next is Item #07.

ITEM #07 - CITY MANAGER AND DEPARTMENT HEADS: REPORTS TO MAYOR AND COUNCIL

Ms. Moreno: Yes, good evening, Mayor and members of the Council, we have two reports, one from Police and one from Finance. Before the Police Chief reports, he was also going to report on the format for today, but what I really want to really point out is the Chief and I come in every single day, and every day, in spite of all the challenges regardless of what point of view or what side you see it, or how you see it, we have been talking about this since 2019. Since Chief Denogean has been with us, every single day we look at this calendar you just got issued and every single day is a challenge. We discovered that in spite of us staffing each day with three, there's a lot of call-ins, whether it be sick from the full-time staff or another reason for reserves, so it's a very challenging task to look at every day. We are very hopeful that the 4-man crew will at least allow some wiggle room, you know. The goal is ultimately to have four, but in the event that there is an emergency, because you know emergencies can happen for whatever reason, you will have three and you will go down from there. But having four I believe will be a benefit to the challenges we have been facing. I want to thank the Chief for coming in every day and calling in about 40 guys to make sure we have coverage in the event we have somebody call in, so thank you, Chief.

Chief Denogean: Good evening, Mayor and Council. To start off, last week the Arizona Department of Transportation came out to 34<sup>th</sup> and 10<sup>th</sup> and they contacted us. There's been several complaints about homeless camps out in the desert over there, so we went out there and provided security as they cleaned up much of the camp out there. There's still, if you go out there right now, you'll see a great deal of it has been cleaned up. There's still a pile of tires that's waiting to be cleaned up, but there is some progress being made over in that area, but it's much nicer. I don't know if anyone's been out there to see how bad it looked, but it looked really, really bad with all the camps and with all the trash that accumulates out there. I appreciate that from the Arizona Department of Transportation. On April 5<sup>th</sup> I attended the graduation at Los Artes Youth Art School Program. They had a GED Program that graduated eight kids that day. That school does a really great job of working with kids who have fallen through the cracks and helping them become productive citizens to society. They do have a lot of hard-working people out there, and it was nice to see, and the kids were very proud of everything they have accomplished and are on the right path over there. As the Vice Mayor pointed out, I handed all of you guys a flyer for a prevention symposium on April 25<sup>th</sup>. It deals with prevention recovery type issues for the opioid issue which we know really hits us big time in South Tucson when we are talking about the South side of South Tucson. Amy Bass, who is the main person to deal with the STOP-It Coalition that I am a part of, the Mayor is a part of, is willing to pay for anyone's registration who wishes to attend this. It's at the Desert Diamond Casino, so if you guys would like to attend, she would greatly appreciate for you guys to come out there and see some of the stuff that is going on. As has been reported already on May 1<sup>st</sup> we are going to a four-person crew with the Fire Department. We are hoping that this alleviates and makes it better, but I will point out that we have experimented with this in the past on weekends, and sometimes we've had success and sometimes we haven't. The big problem is, on weekends and holidays is getting people to come out and work those days for us. I know we had a person that came up here and spoke earlier and first of all, no one is ever attacking the people who work for the Fire Department. The people who work for the Fire Department are great people, great employees, and good workers. The problem has always been the model. The model is the problem, guys. We have one full-timer with 40 reserves, and all of their priorities and loyalties are to their main Department. So, if they get called by their main Department, that's where they're going. And so that is where the issue is here. You know, I am hoping

this alleviates some of the problems, but we will tell when weekends start to come up and when the holidays start to come up, and that is the big deal, is sure we have people for that because that's when we are not getting people to step up. Thank you very much.

Acting Mayor Rogers: Thank you.

Mayor Diaz: Thank you.

Vice Mayor Lopez: Thank you, Chief.

Mayor Diaz: The next item is the Study Session.

Ms. Moreno: We have one more report, Mayor.

Ms. Aguirre: I'll be very, very brief. I just wanted to hand out some preliminary reports for the first quarter of last year. So, these financials are still in the works, we are still scrubbing the books making sure everything is accurate. It just gives you an idea where our finances sit year to date for this fiscal year through the end of March. I know that there's a couple of people in the audience that are part of the Citizen Committee, so I will also give them some handouts so they can be brought up to speed on what we are looking at when it comes to challenges. So quickly, this handout that I have given you is dated February 21<sup>st</sup>, 2023. So why am I giving you this information now? One of the reasons is it outlines a lot of the challenges that we were going to be seeing coming into this fiscal year and beyond, and I just want to remind you all. So, let's skip page #1. Really quick, page #2, you all know we are dealing with a decrease in state-shared revenues. We also know that there is a decrease in income tax. We also know that letter C on page #2, that beginning next fiscal year our bond payment is going to go up. We have been paying \$400,000. We've had a savings of about \$200,000 a year for like the maybe last five years. But our payment will go up to \$600,000, and that is what it was before 2019. Just letting you all know. I told you about this last year as well, so it is going to be going up. Letter D there, potential sales tax elimination, last February we were looking at two areas there. Food for home consumption and residential rental tax. Food for home consumption is safe. However, residential rental tax is going away. And correct me if I am wrong, Jon, but I believe that is going away next year.

City Attorney Paladini: End of this year, first of January.

Ms. Aguirre: End of this year, yes, so none of the cities and towns are going to be receiving rental tax anymore. Next page, page #3, we will continue to start working with these contribution rates on both Fire and Police. These rates that are listed here are just the way they were published by Public Safety Retirement System, and just to give a little bit of context or a little bit of reference to people in the audience, for the Police Department, this essentially means that for every dollar in salary that we pay, we pay \$1.53 to Pension. When it comes to the Fire Department, same thing. For every dollar we pay, and these are for full-time positions, for every dollar we pay in salaries, it is \$2.19 to Pension for contributions. It's a really huge challenge and we are going to hear about that in the next section that we brought a speaker here for, but overall, our unfunded liability, and I mentioned this before, is about \$14 million and that is why our contribution rates are so high. So that is another thing that is a challenge for the City of South Tucson. However, you all try to do your best and complete the Pension Funding Policy as is required by State law every single year. Last year we talked about providing or producing a five-year model, which we did. We did, as soon as the budget was adopted, we then worked on a five-year model. We had those estimates and that is actually what is the base for me to start working on the option that we talked about at the last meeting.

That's basically just to raise the cap, the budget cap. So, I just wanted to put these back on the radar for you, you know. I always report to you all what those challenges are in the current year, in the next year as well, so you know, there were challenges last year and there's still challenges for us this year. So, we need additional funding, we need the money. I'll be providing you guys with detailed reports to complement this cover sheet, this summary income statement, in the coming dates. That's all, good night, you all.

Acting Mayor Rogers: Thank you.

Vice Mayor Lopez: Thank you.

Mayor Diaz: I have a question. I understand the City of Tucson for some reason received a refund on their Pension or something to that effect regarding the Fire Pension, but they did receive a refund, something like \$130,000 something. Is there a way we can get it?

Ms. Aguirre: Mr. Mayor, this is the first I hear of that, but we did not get the same refund.

Mayor Diaz: Ok, thank you.

Ms. Aguirre: As a matter of fact, they would probably send us a bill for more.

Councilor Flagg: Two things. Next time when you do something, the reports are real good, but if we got them in our packet earlier we could kind of mull it over and come up with questions and stuff, so if it could come earlier, that would be great instead of getting it right now. That's one thing.

Ms. Aguirre: Mr. Mayor and Councilor Flagg, absolutely. I didn't really intend for this to be a study session for which I would have provided a big packet. This is just an opportunity to provide you all with a handout that we can discuss at a later date.

Councilor Flagg: Yeah. Ok, so in dealing with seeing if the City and the County could at all help us fund our Fire, it seemed to me that they both pleaded, the City and the County, that they were going to have a gloomy budget analysis for this coming year and it had to do with the Covid money disappearing, etc., etc. Like, are we the same?

Ms. Aguirre: Mr. Mayor and Councilor Flagg, we are not. We have been able to stretch our Covid monies and we are actually going to be utilizing the last of it through I believe fiscal 2026. So at that point, but that's all part of our five-year model so that we are not caught in a deficit position with our operating expenditures.

Councilor Flagg: So, they spent all theirs quicker than we did.

Ms. Aguirre: Mr. Mayor and Councilor Flagg, they received a lot more money, that's all.

Councilor Flagg: Yeah. What about places like Sahuarita or Marana or other places that are relatively small, do you know?

Ms. Aguirre: I'm sorry, Councilor Flagg, I wouldn't be able to tell you.

Ms. Moreno: If I may, Mayor, before we close Staff Reports, I just wanted to let Council know that the posting for the Public Defender has been posted, and as well, I also posted for a grant writer, as we have a grant writer position open as well. Also, as you recall, I also reported, the newsletter is just going to take us a little more time because I will be working with somebody that is an expert in putting these types of newsletters together and help us with content editing. So, bear with us because those of us internally are frozen when it comes to



newsletters. We want to make sure that the first newsletter of South Tucson is professional and has all the continuity to make sure the City gets the most information they need for the first newsletter. That concludes our Reports.

Mayor Diaz: Thank you. For Item #08, shall we do a motion for that?

City Attorney Paladini: No, you can just go into it.

ITEM #08 - STUDY SESSION: GENERAL OBLIGATION BONDS OVERVIEW & OPTIONS

Ms. Moreno: Yes, Mayor, Members of the Council, thank you. As you read out loud, Mayor, this is a Study Session for General Obligation Bonds Overview and Options. We have a business speaker, Mark Reader, who is with Stifel. He has worked with the City now for ten years and we have him in the audience now, and have him come up and go over his presentation. We also have present through zoom here is Paul Gale who is one of our bond lawyer. He will be tracking along as well. Paul, can you hear us?

Mr. Reader: I'll go ahead and sit if that's ok, Mr. Mayor. Thank you.

Ms. Moreno: Ok. I'd like to introduce Mark to the newly elected Councilors. By now you have met Vice Mayor Lopez, Acting Mayor Rogers, Councilor Romero, Mayor Diaz, and then new is Councilor Flagg, Councilor Valenzuela, and Councilor Aguirre.

Mr. Reader: Thank you.

Ms. Moreno: Also, Mr. Mayor, the committee members that each one of you appointed, the next Item on the Agenda, we do have discussion as far as the composition of the Citizens Advisory Board put together for purposes of already letting you know who was appointed, and I could read it aloud right now if that's ok. I would like to let everyone know who the appointee is. Mayor Diaz, his appointee is Scott Sears, a local business owner and a resident. The appointee by Vice Mayor Lopez is resident Arlene Lopez. The appointee by Councilor Anita Romero is resident and business owner Dennis Littrell. The appointee by Councilor Roxanna Valenzuela is former elected Mayor and former County Board of Supervisors and life-long resident, Dan Eckstrom. Appointee by Councilor Brian Flagg is business owner Dwight Metzger. Appointee by Councilor Aguirre is a resident, Karen Karl, who also sits on our Citizens Advisory Committee, and the appointee on behalf of Acting Mayor Rita Rogers is a local resident and business owner, Melissa Dominguez-Brown. So that satisfies the next Item, I believe, Mr. Mayor, when we get to that point.

Councilor Flagg: Can I ask a question real quick?

Ms. Moreno: Sure.

Councilor Flagg: Can you say why we are having this Committee and what they are going to do instead of that we are just having some committee?

Ms. Moreno: Sure, if I may, Mayor Diaz and Councilor Flagg, as you heard now, you've been elected to the Council, the discussion to the Fire Department. And the bigger question is the service model but even bigger than that is, how do we pay for it.

Councilor Flagg: Yes.

Ms. Moreno: So, we all know that there is a shortfall, and we all know that we are tapped to the point to the cap when it comes to sales tax in South Tucson. We all know that we have the smallest amount of property tax revenue in the region, which is right under 23 cents. So, we have come to the Council to offer some recommendations that ultimately with regard to the experts when it comes to an option with regard to going out to the community for assistance. And when you hear the term general obligation, that basically means a secondary property tax. So, Lourdes and I have loomed over this with Council that has been with us for several years now, and our Financial Advisor Mark Reader has also advised Council over the years to make this consideration. Up until now, Council is willing to consider any soliciting to see what that would yield to charge any potential property owner, and this is at the point of discussion where Mayor and Council at the last meeting decided to appoint a committee. So, what the committee will do this evening is listen to the numbers, listen to how we arrived here, a little bit of a historical perspective as to why we are in the debt that we are in. And so, after tonight's meeting, the committee members that I read out loud will reconvene and have another separate meeting with Finance Director and Financial Advisor, as well as Council and the attorney to get into more like the reasons that this is, ask more specific questions, so tonight is more about listening and learning as to what this is and this problem, and then the next phase is to have a meeting with the committee members to discuss this and then come back to Council with a recommendation. Once they make a recommendation to the Council, this committee will dissolve, so they will have no committee anymore. I think that basically sums that up.

Mr. Reader: Ok. Mr. Mayor, Members of the Council, thank you, Ms. Moreno. Mark Reader with Stifel, and thank you for inviting me back to the Council. I worked with you last in 2019, if you remember, when we refinanced some of the City's outstanding debt for savings to the City. Time flies when you are having fun, but that was about five years ago, and I recognized many of the Council members. As Veronica mentioned, I am here to help. My job, when retained by a City, and we have been retained by the City of South Tucson. Other clients that I represent in Pima County include Oro Valley, Marana, Town of Sahuarita and others, and we're here to help you with your challenges, help you with your opportunities. You have both, you have your challenges like a lot of cities do, and I am here to help you address those challenges and I am here to maybe help with some potential opportunities. One of the things that we have done over the past couple of years working closely with staff is trying to identify revenue streams. That's what we have been talking about all night that you are very much aware of as a Council, and cities have a tremendous amount of pressure on their budgets. It is just amazing with employees and roads and streets and Police and Fire and all that, the tremendous amount of pressure on city budgets, including yours. So, we are not aware of any other revenue streams, any other types of taxes, local taxes that you can increase locally to help address some of your funding challenges. We talked about sales tax over the years, kind of a non-starter as I understand it. So, we have kind of taken that off the table. We have looked at every other revenue stream under State law, we've asked the League of Arizona Cities and Towns to join us to make sure we weren't missing anything, and I think Lourdes and Veronica and the Council are aware there is very little budget capacity at the moment, if any, to help address your challenges. So that being the case, working with Lourdes and Veronica, they have come up with what I believe is to be a very reasonable potential solution for consideration, and we want to walk you through that tonight. You heard a little bit of this in the past, but I'm going to slow it down, I'm going to pause from time to time to make sure that I answer all of your questions, and any questions the Committee might have, if that's appropriate. So how do you like our pictures up there? I kind of like those. They are very pretty pictures of your City and I'll go to the next page, page #2 in the handout. Ok, Veronica and Lourdes did a good job of introductions. We are going to educate you further tonight on this concept of general obligation bonds,

bonds issued by cities and towns, counties, fire districts across the State, and as Ms. Rogers will tell you, school districts, issue general obligation bonds depending on the jurisdiction routinely to help with their capital improvement needs. Everybody is aware of that. Tucson Unified School District last November passed a \$300 million bond, something like that. Our firm represents Tucson Unified, and we just sold some bonds last week for them. Drexel Heights Fire District is one of my clients. They had general obligation bond elections. It requires a vote of our citizens. Why? You are raising property taxes. In Arizona, any time you raise property taxes, whether that be primary or what is known as secondary for bonds, under our Constitution, requires our voters to come to the table. There's nothing necessarily wrong with that but it is a requirement so when our cities and towns do this, they have to be very careful, they have to be very measured and thoughtful because the people are going to vote for a tax whether you are a school district, fire district or city or town, it has to make sense for them. Ok, on Table #2, under Arizona law our cities and towns, including the City of South Tucson, have a bonding limit, just like K-12 did, Ms. Rogers, if you remember. We can't just willy-nilly go out and ask for all kinds of money. We are limited by the amount of our tax base called the net limit assessed value, full cash value. Now the good news is your tax base has been growing a little bit, so that is very, very positive. So, on this grid here, if you look at the second column, it says \$43,869,397. Does everybody see that number? That's your county, what they call your valuation, called full cash value. That's what the County Assessor values the property within the boundaries of your City, commercial, vacant land, and residential property. \$43,869,397. Very simple math under the statute. You have a 20% limit, which is almost \$8.8 million if you see the number in the second column. Bonding capacity 20% threshold. That can be used for, in the blue, water, sewer, lights, parks, open space, transportation, and public safety, critical public infrastructure needs of cities and towns. Ok, fair on that? So, under the statute, if you wanted, I know you are not going to do this, you could have a bond election for all the way up to \$8.8 million. It isn't going to happen, but I kind of have an idea what you think your needs are. We are going to go to that in a moment. That's called the 20% bond. You see it there in the blue? Then, under the statute, we have a 6% category, which is really for all other uses: city halls, administrative, and refinancing of some bonds. That's called the 6%. Simple math, I'll round if you don't mind, you've got another \$2.6 million there available to your City. Ok, so pretty good numbers. So, on the 20%, we're going to show you some numbers here in a moment, and it is my understanding that if the City decides to pursue this election, your new money, your public infrastructure needs, somewhere around \$2 million. Ok, let's start with that and we can run numbers lower than that, we can run numbers higher than that, but we're going to start with the \$2 million number, that if approved, would allow the City to issue \$2 million in bonds. My job for you, if an election is successful, is to raise the capital by selling the bonds, which we will get into later. My job is to deliver \$2 million to the City if it passes. It's got to pass at 50 plus one vote. Then on the other side as we got into this with Staff, as we looked into the 6% category, we said to ourselves, is that a category that we could, with voter approval, consider adding to the ballot question and if successful take the \$2.6 million to pay down some of your current debt. And Paul Gales was on the phone. Paul is your bond attorney. Paul is a specialist in this area and Paul has told us that is allowed. So, with that backdrop, I am going to talk to you really about the 20% category and the 6% category. Before I go any further, I'll pause. Does that help? Questions?

Acting Mayor Rogers: Thank you.

Mr. Reader: Ok, on page 3, Property Tax 101, Arizona has probably one of the most complicated property tax systems in the country, as you know, but I am going to simplify it here. This chart shows us that for every dollar in property taxes that your City would levy, and you levy a primary, don't you. I think it generates about \$40,000 a year, right, Lourdes?

Ms. Aguirre: It's \$56,000.

Mr. Reader: Ok. You have a primary levy and it's, what's your property rate on the primary?

Ms. Aguirre: Twenty-three.

Mr. Reader: Twenty-three cents and for every dollar of taxes your City levies, these are the types of properties that repay the property tax. Now depending upon your perspective, the commercial folks, the business people in the room as mentioned previously, is currently 61% of the property taxes. Your vacant landowners are three and a half, and your owner-occupied and rental residential property would pay about one-third of your property tax levy. No different than K-12 or it just depends on the makeup of the jurisdiction as taxpayers. So, keep up the good work on trying to expand commercial. I know that's in your focus and over time. Ok, page 4. With that backdrop again, page 4 is the bond refinancing that we worked with you way back in 2019. We saved some money. We freed up some cash, and that was helpful to your City, and we got 294 money, not bad. That's back in the days of cheaper money, rates are up now, as you know, not the end of the world but they are up. So when we did the transaction if you recall, trying to maybe somewhat anticipate the future, working with Lourdes and Veronica and the Council, we said, well, what happens in the future if Council would ask us, can we pay some of those bonds down if for some reason in the future we can generate a revenue stream to help pay the debt down. The answer is yes, we structure it, negotiate it with a lender who bought the bonds, allowing the City at your choosing to pay down this debt within 30-days' notice with no penalties. You like that provision, right?

Acting Mayor Rogers: I like it.

Mr. Reader: You like the provision. We did that on purpose back in 2019. In talking with Veronica and Lourdes, we came up with this idea, if we can pass a bond in the 6% category, remember the \$2.6 million, if we can pass it, we could take the \$2.6 million and pay down the debt in front of you to free up operational money. If you go to page 5, you've got \$5.3 million outstanding, roughly. We've got \$123,000 coming off the books, about \$5.2 million right now outstanding, and on page 5, you're going to pay about \$600,000 a year on that 2019 bond. If you choose not to add the 6% category into a potential decision here to call a bond, then you will continue to pay \$600,000 out of the general fund. So, the thought was, pretty creative, I think, pretty innovated by Staff, if you are able to pass it and we pay down this debt, we could reduce the \$600,000 down to a lower number. Do you like the idea, do you see where I am coming from?

Acting Mayor Rogers: Yes.

Vice Mayor Lopez: Yeah.

Mr. Reader: We're not refinancing, we're paying down debt. Now we've got to pay a property tax to pay it down, but we are going to try to free up some general fund monies because as I understand it, we need general fund monies now to meet some of the challenges in front of Council. Ok, so hold that \$600,000 and go to the next page. If we can pass it, we can pay down the 19 by \$2.6 million, our new debt service number is \$275,000. So, we go from \$600,000 down to \$275,000. I think I like it. We then go to page 7. We don't like to just show numbers, we have to throw a few charts in here to keep you focused on this. No disrespect, Mayor and Council, myself included. So, we just grabbed this, so at \$600,000, that's your blue line, that's your current debt that you will have on the books for the next ten years if we do nothing at all. That's fine. You've got good credit, you've paid your bills, everybody's happy. We would then replace it with the green line and

free up approximately \$325,000 per year in your general fund. We've got a two-step process. New money at \$2 million for now, \$2.6 million approval to pay down debt to free up operational savings money. We are going to shift it to the tax base, so we have to be careful. Fair? We are going to talk about that in a moment. We have to be careful, and we have to be respectful. Ok, so I will pause there for a moment and give you some bottom-line numbers which I know you are waiting for.

Councilor Flagg: I'm good, I'm baffled, but I'm good.

Mr. Reader: Challenge number 2 or 3 for us and this was mentioned in the Financial Report, and Veronica mentioned this too, and a big challenge for your City as you know is your unfunded pension liabilities.

Acting Mayor Rogers: Yep.

Mr. Reader: You have the lowest funding ratio in the state. I think you are aware of that, just to be honest and transparent. Your Police unfunded liability is over \$10 million; your unfunded pension liability for Fire is \$2.6 million, so you are pushing \$13 million of an unfunded liability that accrues at an interest rate of 7.2% every day. It's your most expensive debt on your balance sheet and it's not going away. It's Constitutionally protected, as you know. So how do we deal with this huge \$13 million? We just talked about \$2 million and \$2.6 million. This is three times that and it's not going to be solved overnight, but we are going to encourage the Council, over time you have been doing your best at this with an extremely tight budget to throw, to allocate what they call additional contributions towards the unfunded liability every budget year. I just want to remind you of this, I know you are aware of it. I know it's a big issue in your community. I think you are about five or six funded employees and you're about 25%, you're a little higher on Fire. As we work together in the coming months, perhaps a revenue stream could be identified to assist with this unfunded liability as best as you can. Ok, so good news, transparent news for you. Now let's go back to property taxes. Not necessarily the most popular way to finance things, fair?

Acting Mayor Rogers: Right.

Vice Mayor Lopez: Right.

Councilor Flagg: Well, I don't know.

Acting Mayor Rogers: Yes.

Mr. Reader: We are seeing now more communities having to maybe go this route, you know. If the Legislature starts, continues to take revenues from our cities like rental tax, it hurts your City, right?

Acting Mayor Rogers: Yeah.

Mr. Reader: It's going to hurt your City because you have rental properties.

Acting Mayor Rogers: Yeah.

Councilor Flagg: Yeah.

Mr. Reader: It's gone now, thanks to the Legislature.

Councilor Flagg: It's for the landlords.

Mr. Reader: You know, this food tax thing, it's frustrating. We trust, hope and pray that won't continue to be on the table with the Legislature. It's not the cities' fault. At any rate, we are seeing more cities consider them. I am working with the Town of Sahuarita right now, just by way of example, our friends to the south, and they haven't made a decision. They are like you, but they are going to consider a potential general obligation bond election for their capital needs. They want arts and open space. We just did a big financing for Marana for an Aquatics Center, a recreational center, so lots of needs.

Mayor Diaz: Pickleball also.

Acting Mayor Rogers: I like that.

Mr. Reader: I am now a pickleball player, too. I never thought I would be. Ok, so let's look at two scenarios here. Remember, you are going to make a decision in the coming month or so on what you want to do here. We have a deadline coming, and I am going to walk you through that. The first one is our 20% bond. That is the \$2 million hypothetical number right now. This is a simple, kind of an amortization schedule and we have our fiscal year column 1, column 2 is our tax base. That's the tax levy base. This year it was \$26.9 million. We just got the numbers from the County. You are at \$28.2 million. Good job, you're up about six or five percent. We then assume a successful November election, November '24, and we assume a 4.5% tax-exempt interest rate for the City of South Tucson. Bear with me on that, and I assume we pay this off over 15 years. We can go 20 if you want. Let's start with 15, I didn't want to overwhelm you with numbers.

Acting Mayor Rogers: 15 is better.

Mr. Reader: And Rita remembers this in the Vail Unified School District days. If we issue \$2 million in bonds at 4.5% over 15 years, column 6 tells us that we have to collect \$190,000 a year in property taxes to pay back the \$2 million. Ok, spread across the entire City between residential, commercial and vacant land, which produces the tax rate in column 7. And let's go all the way down to the bottom because this is the table that if you choose to call an election will be in your voter pamphlet. We have to prepare a voter information pamphlet that goes out to all voters. We will get into that later. This table is exactly what would be in the voter pamphlet and go down to the bottom. We average this at \$0.61. I'm going to round a little bit. Keep that \$0.61 in the back of your mind for a moment, and then we are going to talk to you about what it is going to cost the average taxpayer in a moment. I know you are waiting for the anticipated number. It holds your attention. Ok, now column 8, we don't need to get into this but just so you know, this is your bonding capacity going forward. We always want to keep an eye on that. You have, we mentioned earlier, \$7.8 million, \$8 million. We are only going to tap \$2 million. We are going to do \$2 million at the moment. Let's go to page 10. This is the 6% money that we can refinance, not refinance, I keep saying that, that if successful look at Column 4, we would sell \$2.6 million in the 6% category, and take the \$2.6 million and pay that bond issued that you had \$600,000, remember? And so that tax rate is \$0.82 and at the bottom of page 7. Ok, \$0.82 for the buy down of your debt to free up operational cash flow to be used for general fund purposes. Let's put it at that right now. And then keep an eye on your capacity in column 6 because you could always, if you decided to proceed with additional authorization beyond \$2.6 million, which is allowable, column 8 tells you when it would become available to be used in the future. Just keep that in mind. So now let's go to page 11. There's a lot of numbers on here, but I have bolded them for you and on the lefthand side, the County Assessor has told us that in their documents and their abstracts, the average limited property value within the City of South Tucson is almost \$80,000, \$78,874. You have some homes that are less than that in this community, and you have some homes that are obviously worth more than that. Let's go with an average at

the moment of \$78,874. Homes are assessed at 10%, remember, divided by 100 times the tax rate, so in a \$2.6 million, the orange category, to buy down the current debt would be \$5.38 to the average homeowner within your City. The new money, the \$2 million that you would use for your new money improvements, whatever that is, Fire Station, apparatus, roads, parks, open space, I think right now more limited to the Fire, I think category, Lourdes can correct me on that, we're telling you that we are estimating that new money piece to be about \$3.99 for a total of \$9.37 per month to the average property owner residential in your City to help support your challenges and your opportunities as a community. Ok, we've got a few more topics. Most of the presentation is over. We will get into those in a moment, so why don't we pause there and see what kind of questions Council might have that we can help answer for you. Yes, Sir.

Mayor Diaz: Back on page 2, we show that the City net flow cash was \$43 million. What is that figure that is \$61 million?

Mr. Reader: I'm sorry?

Mayor Diaz: What is that figure that is \$61 million instead of \$43 million?

Mr. Reader: Well, \$61 million times 20 would give you \$12 million.

Mayor Diaz: Yeah.

Mr. Reader: But these numbers are the most recent, '24-'25, that we got. These are legitimate preliminary estimates for budget year '24-'25.

Mayor Diaz: Did we receive a letter (inaudible) from Pima County?

Ms. Aguirre: Mr. Mayor, I don't recall. I would have to look through my emails.

Mr. Reader: I can check that, Mr. Mayor, but this is what my staff is telling me is your latest estimations. In terms of formula, 20%, 6%.

Mayor Diaz: We're stuck with the \$8 million, ok.

City Attorney Paladini: I think, Mayor, just for clarity purposes, what has been discussed and proposed here is to borrow just enough and still make it affordable for people to pay the tax, so whether your bond capacity is \$8 million or \$12 million, you're still only talking about \$2 million per capital for Fire trucks, \$2.6 million to pay off the existing debt. If you are talking, like Mark said, you could borrow up to \$8 million under these numbers, I don't think you want to do that because the property tax cost to the property owners would be four times what you are talking about now.

Mayor Diaz: The other question was, I think 2019 we discussed the possibility of going ahead and paying the pension off completely and just adding it some place, I guess. And that apparently never happened back then, so we are carrying over the liability until now?

City Attorney Paladini: That would be the \$4 million number.

Mayor Diaz: Ok, so the interest rate at that time was I guess 4.39% back then?

Mr. Reader: Yes.

Mayor Diaz: Or something like that. What is the rate right now?

Mr. Reader: I think this Council is aware, we have spoken to the League of Arizona Conferences, and we spoke with Council. When Covid hit, and if you remember, we went to all-time low historical interest rates, remember. I got 2-7/8 on my mortgage. A lot of people got 2 and 3%. When that hit, we ended up doing a number of pension bond financings, but since then, the interest rates, you know, have been gravitating up and your interest rate, remember, would be done on a taxable basis, not on a tax-free basis. Your interest rate in the bond market was really kind of too high compared to the 7% you are paying the Pension Fund every year. There's a lot of risks associated with pension bonds in case the market would go south on us, so we put a pretty cushion in there to protect us in the event there was a market meltdown. So, we are going to keep an eye on that for the City of South Tucson as it relates to your \$14 millions of unfunded liability, but until rates come back, we are going to encourage you to once again provide additional contributions each budget year to (inaudible) the way of unfunded liability.

Mayor Diaz: Thank you. I have another question. I guess we had always talked about the Fire Pension Fund, at least maybe I heard it or didn't pay attention to it, but the Police Pension Fund is \$10 million, compared to the Fire \$2 million. Why aren't we talking about Police Pension?

Ms. Moreno: If I may, Mayor, I don't know the context of your question, but I think we owe both a lot to each one. I think over the years, as I am trying to comprehend your question, they are both a problem with regard to the debt that we owe.

Mayor Diaz: Right.

Ms. Moreno: And if you are looking as far as our focus on Fire over Police, we have been able to staff the Fire Department and through attrition we have been able to save money and not pay the pension rate by utilizing the law that we use with Reserves. That has been able to help us over the years to balance the budget. It has just worked that way. That's part of how we arrived here. Once we discovered that the staffing model was not working for us, going back to hiring would set us back more with the pension rate, whereas on the Police side, it's not any better, but it's really not any worse because we have the lowest staffing levels on the Police side, too. When you're looking at only two Police Officers per shift, we are not looking any better on the Police side either. The debt is higher compared to Fire, but the situation is not less or worse because of what you just pointed out. I mean, we are facing challenges everywhere. It's not just because of the costs associated, the staffing is just really scarce in Fire and Police as well. I don't know if that answers your question, because one is not greater than the other. It's just that on the Fire side, we have been able to continue providing services with Reserves, so we have been very fortunate in that respect, but we are finding that it is not a dependable model, so that's why we are where we are at. We want to make it whole. We're trying to make it whole. We want to make sure we find financing to make it whole, and whatever model the Council chooses, we've got to find the money to fund it. We have to fund it.

City Attorney Paladini: Mr. Mayor, just so I could be clear, what we are talking about in this bond election issue is not paying down at all the PSPRS debt.

Mayor Diaz: Right, I understand that, and the total bond package would then be, I guess, the 6% and the 20%, right? And at the end, it \$9.37 per month, per -

City Attorney Paladini: Per residence.

Mayor Diaz: For 15 years.



City Attorney Paladini: And that's to basically fund a Fire Department, whether it's the Tucson IGA model or the model you propose. We are short \$400,000 annually in either model. And we're short \$2 million roughly in terms in either model, whether the City buys the equipment, the new truck, and does refurbishing of the Fire Station for its own Fire Department under the model you propose, or whether the City enters into an IGA with the City of Tucson. This whole discussion is irrespective of which model you ultimately choose, which I recommend you just push that off because until you get this financial issue resolved, you really don't have either choice because you don't have enough money to do either. So that's what this discussion is about. It's about trying to provide a Fire Department service to the City of South Tucson in one model which you propose, or another model which is the Tucson IGA model. They're both about the same in terms of cost. None of this touches the PSPRS debt at all. That is a separate discussion for down the road.

Mayor Diaz: Alright. I would like to keep it separate, really.

City Attorney Paladini: Yes, it is completely separate. I think what Mark, I don't want to get into the details of what he brought up about the PSPRS, but at some point in the future the City could go to the voters and ask for a primary property tax increase which would increase your general fund revenue and that could be earmarked to pay down PSPRS debt, because you have no room to raise your TPT. You're already at 5% so there's no increasing that. Your two choices are you grow the pie that generates TPT which everybody is trying to do, economic development, that will generate more revenue. And/or increase your primary property tax rates at some point in the future which will generate more revenue for the general fund, and you can earmark that differential, that increase to help pay down both PSPRS debts. That's kind of that discussion. But this is limited to the immediate situation at hand which is, regardless of the model, if you want a full-service Fire Department, you need to have roughly \$2 million in capital, money to spend on capital improvements like a truck, like fixing the Fire Station, upgrading, that kind of thing. And another \$3-400,000 in general fund money to pay the difference between what you have budgeted, what you have available, \$1.6 million, and what it is going to cost to fund either model, which is about \$2 million. That's where, when you pay down the current bond debt with this general obligation money, it frees up about \$325-\$350,000 in the general fund which you could then put towards paying for the annual cost of a Fire Department. That's the discussion that we are having with the Council today. Is that right, Mark?

Mr. Reader: Yes. I didn't mean to complicate it with the pension, I just wanted to bring it back.

Mayor Diaz: Did you have a question?

Councilor Valenzuela: Yeah, you mentioned that we could do a primary property tax in the future.

City Attorney Paladini: Some point in the future.

Councilor Valenzuela: In the future, right. How long do we need to wait for that?

City Attorney Paladini: It's policy decision.

Councilor Valenzuela: Ok.

City Attorney Paladini: The problem with a primary property tax is the Constitution limits what you can increase, and because South Tucson hasn't really done much in the way of increasing, the Council learned over time to break that ceiling. You've got to go to the voters basically to approve an increase over what you are allowed. The Council could increase the primary property tax this budget year by -

Ms. Aguirre: Maybe \$20,000.

City Attorney Paladini: \$20,000. It's not going to give you a whole lot. It could max out your primary at the Council level. To go above that Council level to max out, you have to go to the voters.

Councilor Valenzuela: Alright, thank you.

Ms. Aguirre: And suspend the collection for one year.

City Attorney Paladini: Yes, you would stop it and then you would restart it. It's a process we kind of want to kind of push that off and just focus on what we really need, which is a fire service.

Councilor Valenzuela: Could you present us with some information on that taxation tax information for the next meeting?

Ms. Aguirre: Yes, of course.

Mayor Diaz: Did the Committee understand all this or are we going to -

City Attorney Paladini: So the Committee's job, as Mark was saying, is to take this information and make a recommendation to you about yes or no, we recommend putting this on the ballot, we recommend a 20-year term or a 15-year term, you know, to drill into those kinds of details and bring it back to the Council by middle of May, either decide to put this on the ballot for November or not. Today is to do all the detail work so you guys can get a report, Council gets a report saying this is what the Committee, appointed by you, recommends to help fund the Fire service. Regardless of the model, we're not talking models at all now, I think it's pretty evident you need the money to buy equipment, to help to refurbish the Fire Station, and to pay for that shortage that the City budget has to pay for the annual roughly \$2 million in service for fire service.

Acting Mayor Rogers: Amen.

Councilor Aguirre: I've got a question. You had mentioned that we are looking at a 15-year, you had mentioned something about 20 years. If we went that route, would that reduce the monthly impact on the taxpayer?

City Attorney Paladini: It's like buying a car, you're just paying for it longer, but you're paying, your monthly hit is a little less, yeah.

Councilor Aguirre: It's a little less, yes.

Mr. Reader: If I could add to that, Mr. Mayor and members of the Council. Depending on what you are going to use the \$2 million for, right, and some improvements to a fire station lasts years, right, if you are going to buy a fire truck, apparatus, whatever the agreement is, you want to finance that over the average useful life of the fire truck. If the fire truck lasts 20 years, in some cities they do, so you get what I am saying. We just have to balance that fairness there.

Mayor Diaz: 25, I guess, here.

Mr. Reader: Ok, so I am almost done here. I just want to share one more thing for you as you will be thinking about this and of course, we are going to be meeting with the Committee and I'm able to run off all kinds of analysis so you can make right decisions. It's a very important decision coming up. On the next page, Lourdes, if you don't mind, Paul, you still there? Paul drafted this question on page 12. In other words, I'm going to let

him talk about it, but let's say your committee makes a recommendation and this City Council makes a decision to proceed, fill in all the numbers, update all the numbers, what would an actual ballot question look like in the voter information pamphlet when they walk into the booth. And so it's reasonably complicated, of course, but Paul, do you just want to share with Council on page 12 what you have come up with as a draft. Thank you.

(Zoom difficulties - no apparent audio)

Mr. Reader: Jon and I can take a stab at this. Jon, you want to take a stab at this?

City Attorney Paladini: Sure, I can stab it on page 12 is what is called a sample ballot language. Again, this would be, the Committee would look at this as well, you know, tweak it, maybe edit it, but what this sample ballot is what the voters would see or something like this. Basically, the amount would get filled in. Under this current model it would be \$4.6 million because we would ask for one ballot measure to do both the \$2 million and the \$2.6 million. And then there would be two purposes with two bullet points. One is to provide funding for Fire projects including acquisition of a vehicle or vehicles and equipment and repair and renovate the fire station. And so roughly, that's the \$2 million bond money. That's for capital purchases. The other one is to free up revenues used to pay for fire protection services that are currently pledged to the payment of the other excise tax bond which is coming from your general fund.

Ms. Moreno: To lower that payment that Mark talked about.

City Attorney Paladini: Yes. You are essentially taking \$2.6 million of that debt and you're paying with property tax money. Then you don't have to pay \$2.6 million out of the general fund and that's how you get the free up of the \$350,000, because right now you are paying that whole \$600,000 out of your general fund, which is a lot. We don't need to get into the history, but there's a history of all that going back a long time. Basically, it's a simple question to the voters, technically, yes or no. Do you want to pass this bond? As Mark said, all of these charts and graphs that you see in this presentation will be part of the publicity pamphlet that all of the voters will get, in English and in Spanish. And then aside from the Council, or aside from the City, there may be a private group, a proponent group that would help kind of support this. That is not the City's role to do that. We would just provide sort of objective information and then the voters would decide. In most of these you get a proponent group, and they campaign, and you see what happens. The next page, and today we are at the April 15<sup>th</sup> calendar, so between now and May 7<sup>th</sup>, the Citizen's Committee will do its work and present a recommendation to the City Council about yes, go forward, yes, these are the right amounts, or no, different amounts, 15-year versus 20-year, and other details. And then the Council could take their recommendation and adopt it. They can take the recommendation and adopt it with changes, but the drop-dead for the Council to do this, to approve a Resolution, putting this question on the ballot, is May 15<sup>th</sup>. That is set by the Pima County Recorder. It's not a legal issue. It is that you have to give the Recorder that much notice now in order for the Recorder to allow this bond question to be on the November ballot, November 2024. It's a little bit of a tight schedule, sort of, but we've been talking about this issue, this funding issue, for quite some time. I think amongst Staff here, and Mark as your professional consultant, this is the recommended route that Staff has. Obviously, it is up to you as Council, whether you approve it or not by May 15<sup>th</sup>. But this we suggest will help solve the immediate problem of providing the City with a full-service fire service, regardless of the bond. And that is the question ultimately for you and at \$9.00 a month per residence, and I think the other thing is that 85% of the residents here are renters, so it is going to be the landlord that pays that. Now, they can pass it through to the renters, but even if it is passed through, by the

time this goes into effect, the rental sales tax will go away. So, it's kind of a wash at the end of the day. This 5% of let's say \$1,000 rent, 5% is what, \$50 a month, so if you take away \$50 a month and the rate goes up by \$9.00 a month, and you guarantee a fire service, that's a pretty good trade off.

Ms. Aguirre: Just as an example, the tax collected on a rent of \$800 is \$20.00 a month.

City Attorney Paladini: \$20.00 a month?

Ms. Aguirre: Yes.

City Attorney Paladini: And again, versus \$9.00. That's even if, that's assuming that the landlord is going to pass through that tax increase to the renter, so it's half.

Mayor Diaz: Your definition regarding what properties actually get taxed, property tax.

City Attorney Paladini: All properties that are subject to tax, so government buildings and churches are not taxed, and non-profits. Government buildings are not taxed, so the City of South Tucson doesn't pay property tax on its properties. Churches don't pay property taxes on church-owned properties, and non-profit organizations, the 501(c)(3)'s, if they own property under the 501(c)(3), they don't pay property tax. That's sort of the general rule.

Mayor Diaz: Ok, thank you.

City Attorney Paladini: But that's been taken into consideration in that chart that Mark showed you on page 3. It's a very small amount, well, it's not even taken into consideration when you have the net full cash valued at \$43 million. That already excludes all non-taxable real estate, like government buildings or churches or things like that.

Committee Member: Who did the appraisals on the properties you guys listed on here? Because I know Borderlands is at \$4.4 million and Greyhound just sold for \$10 million, and it was only appraised at \$1.1 million.

Mr. Reader: That's from the County.

Unknown Committee Member: That's your County Assessor's?

Mr. Reader: That's about two years old. It's not market value, it's a reflection of how they got there.

Committee Member: You said it comes up to \$26.3?

Mr. Reader: I don't know. Does Staff have a copy?

City Attorney Paladini: They want to get to work already, good sign, but that's the next meeting we have.

Mr. Reader: Mr. Mayor, I hope that was helpful to the Council. I know it was a lot and I really appreciate your focus and attention. We didn't mean to get off on other topics but it all kind of comes together. I appreciate the time this evening and I hope it was helpful to you and I look forward to further discussions with you.

Councilor Flagg: Thanks a lot, Mr. Reader. That was real, real helpful and you know, when we first started pondering this, we were talking about things like charging every person twenty more bucks on their electric bill and stuff like that and something like this seems way more equitable and fair and suitable for our 1.2

square mile City of South Tucson. So, we have actually come a ways like accomplishing some things and we're never going to get that revenue from economic development if we can't tell people how good of a Fire Department we have. So, this will enhance fire service in our 1.2 square mile if we can pull it off.

Councilor Valenzuela: I have a question.

Mr. Reader: Yes.

Councilor Valenzuela: Let's say we find ourselves in a sticky situation with the Police Department in a few years. Could we reissue another bond or what is that limit?

Councilor Flagg: That's a good question.

Councilor Valenzuela: Would it be subject to like two years, or what would it take?

Mr. Reader: No, actually would it be a situation of capital or more on the operation side?

Councilor Valenzuela: I think both.

Councilor Flagg: Go broke.

City Attorney Paladini: I'll try to answer the question. So, you still have options going forward once you solve this challenge, right. Everybody wishes your community wants this to happen. I don't know how many votes you need, 800 votes, I don't know what the number is, but if you get it passed, if a year from now or two years from now you want to do something similar, then we could look at the primary property tax option, right. Let me just slow that down for you just a tad so you can be thinking, we are not proposing this now. But I will give you an example. The City of San Luis is one of my clients over by Yuma. They have a similar challenge as Tucson. They are tapped out on the local sales tax. It's a border community; they don't want to go there. So, under the statute, a city, what San Luis did, is they are going for a vote next month, May of '24, to set a levy of \$2.5 million per year in their case. The discussion centered around how much operating monies does the City of San Luis need, and the Mayor and Staff came up with \$2.5 million in this example. I don't think, obviously, your City wouldn't need that much, I don't think, because we've got to balance that with the tax rate. We ran the numbers at a \$2.5 million annual property tax levy, and we produced a tax rate of X amount, and they're going to the voters, and if it passes, they will collect \$2.5 million in a primary property tax into perpetuity. It's balancing out their budget because they are a very sales tax-oriented city with state shared revenues. Does that sound familiar? The nice thing about a property tax for operating purposes, if you could get your citizens to understand it, it stabilizes your budget and you're not doing all the things Lourdes mentioned earlier this afternoon. So, it makes a lot of sense and that is an option available to your City going forward, to answer your question.

Councilor Valenzuela: Ok.

City Attorney Paladini: On the bond stuff, you can always go back, of course, because you have plenty of capacity for that 20%, 6%.

Councilor Valenzuela: I have another question, it's a logistical question. I see on the timeline we basically have to call the election by May 15<sup>th</sup>. So, this would have to go to the November election.

City Attorney Paladini: Yes.

Councilor Valenzuela: That just doesn't give the Committee a lot of time to meet. Do we have an idea of when they will be meeting, how many times they are going to meet, to prepare for this.

City Attorney Paladini: Good question, excellent question. I was talking to Lourdes and Veronica about this today. I think there is some wiggle room because I totally agree with you. We would like to give ourselves and our Committee and our Council a little more time than May 15<sup>th</sup>, we've got six weeks if I'm doing my math right. I think Veronica was going to call the County, it's a County Elections decision, and Veronica will tell them the City may consider an election for November and we want to let you know we are working on it, and we need a little bit of wiggle room. And my guess is, and I could be wrong, we are going to be able to get it to allow your Committee and your Council and your Staff a little more time to think this complicated subject matter through a little bit. We will go to bat for you on that.

Councilor Valenzuela: Ok, thank you.

Ms. Aguirre: Mr. Mayor, Members of the Council, worst case scenario we would have at least three weeks, two weeks, from now until mid-May. We can begin meeting as early as next week and every week.

City Attorney Paladini: We can meet this week, Friday.

Councilor Flagg: This is urgent. Schedule the meeting and get it done.

City Attorney Paladini: They are subject to open meeting, so you have to give at least 24-hour's notice as it is a public committee, so in theory, today is Monday. I guess you could meet on Wednesday night at 7:30.

Ms. Aguirre: Or Friday.

Acting Mayor Rogers: Or Friday.

City Attorney Paladini: Or whatever day.

Ms. Moreno: Would the board want to meet in the evening hours?

Committee Member: Sounds good.

Ms. Moreno: Ok. I think for some of the board members evening works for them.

Councilor Valenzuela: Somebody from Staff will be there, right, because if you go on to questions, it would be around this packet so I think we need to know when your availability is so we can then go back to the scheduling.

City Attorney Paladini: I've got some time later this Friday if the Committee would like to meet and we can bring them up to speed. This has obviously been helpful to them as well, right.

Acting Mayor Rogers: Yeah.

Vice Mayor Lopez: Uh huh.

City Attorney Paladini: And if you want to get back to the room on Friday or Monday, get their questions answered with a subsequent meeting, then come back to Council in a week or two.

Councilor Flagg: Maybe you can hash that out while they are all sitting right behind you, like tonight.

Acting Mayor Rogers. Maybe. They don't know each other.

Ms. Moreno asked Committee members what date and time would be good for them. There was discussion among them to set a meeting time.

Acting Mayor Rogers: And the public will be notified, correct?

Ms. Moreno: Yes, the public will be notified, correct?

City Attorney Paladini: The notice will be posted just like the Council meetings.

Committee Member: Time is of the essence but if we do it Monday -

Councilor Valenzuela: Finance Director can't do that.

Ms. Aguirre: I can do Friday evening.

Committee Member: Could we do it Thursday or Wednesday. I don't know, I'm just saying. We can do Monday, I just wanted to put that out there.

City Attorney Paladini: Yeah, Monday is good.

Ms. Aguirre: Ok.

Ms. Moreno: Ok, Monday at 5:30. We have one more Item, Mayor, Item #09.

ITEM #09 - DISCUSSION AND DIRECTION ON QUALIFICATIONS TO SIT ON THE COUNCIL CREATED CITIZEN'S BOND COMMITTEE RELATED TO THE NOVEMBER 2024 ELECTION

Mayor Diaz: There shouldn't be any discussion on this, and it was corrected, so that's fine.

Ms. Moreno: Ok. We will skip Item #09 and go to #10.

ITEM #10 - ADJOURNMENT

Acting Mayor Rogers: So moved.

Councilor Flagg: Second.

Mayor Diaz: Thank you.

The meeting adjourned at 7:39 p.m.

  
Mayor

ATTEST:

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Veronica Moreno, City Clerk

**CERTIFICATION**

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Agenda Meeting of the City Council of South Tucson, Arizona, held on the 15th day of April, 2024. I further certify the meeting was duly called and a quorum was present.

Dated this 15 day of May, 2024.

  
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Veronica Moreno, City Clerk